

# Sustaining USACE Audit Readiness

11 July 2012



US Army Corps of Engineers  
**BUILDING STRONG®**



# Purpose

What it takes to pass an audit and how to sustain that audit opinion.



# USACE Mission Areas

*BUILDING STRONG – USACE Supports the Army and the Nation*

## Military Programs

- MILCON for Modular Force Global Positioning
- BRAC 05
- Field Force Engineering
- MILCON Transformation
- Environmental Restoration

## Homeland Security



- Critical Infrastructure
- Anti Terrorism Plans
- Intelligence
- Facility Security Partnership

## Research & Development

- Warfighter
- Installations
- Environment
- Water Resources



## Real Estate



- DOD Recruiting Facilities
- Contingency Operations
- Acquire, Manage and Dispose

## Interagency Support

- Federal
- State
- Local
- International



## Civil Works



- Navigation, Hydropower
- Flood Control, Shore Protection
- Water Supply, Regulatory
- Recreation, Disaster Response
- Environmental Restoration

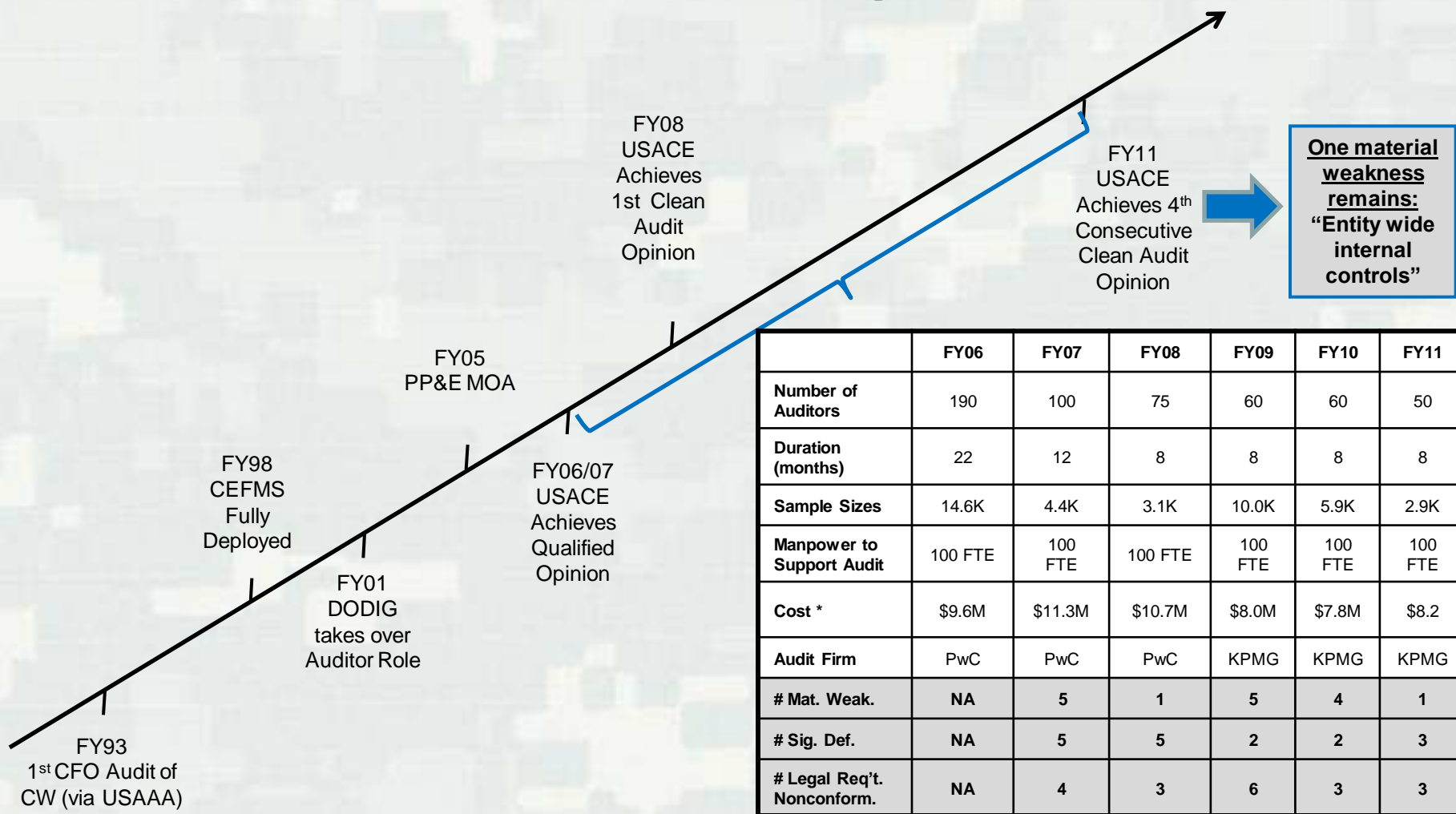


# Passing an Audit

- ▶ Integrated Financial System
- ▶ Fully devoted internal staff to manage the audit
- ▶ Partner with auditors
- ▶ Sample submission process
- ▶ Understand materiality
- ▶ Leadership support



# What it takes to Manage the Audit



\* All costs are only contract cost for PwC or KMPG. Does not include in-house labor to support audit and remediation.

**4 Consecutive Clean Audit Opinions**





# Meeting the Accelerated Timeline

Milestone/Action	Responsible Party	Date
USACE provides all 30 Sept universes	USACE	4-Oct-2011
KPMG provides last round of samples	KPMG	9-Oct-2011
USACE provides all sample documentation	USACE	15-Oct-2011
Unadjusted USACE FS & notes (OSD)	USACE	20-Oct-2011
KPMG will submit all audit adjustments	KPMG	29-Oct-2011
USACE issues FINAL FS to KPMG / IG	USACE	9-Nov-2011
KPMG issues Audit Report (DODIG endorses)	KPMG	14-Nov-2011



# Sustaining an Opinion

- ▶ Integrated Financial System-Hard code controls
- ▶ Understand the key controls
- ▶ Fully devoted internal staff to develop/report test plans
- ▶ Fully devoted IR staff testing key controls, CONTINUOUSLY
- ▶ Leadership support (sign plans out and report results at Commander level – can't be an RM thing)



# Could NOT do it without CEFMS

- **Corporate Management** system...not just an accounting system
  - ▶ Replaced Corps' Legacy Accounting System
  - ▶ Standard Processes & Financial Principles (hard coded controls)
  - ▶ Fewer Financial Control Risks
- Captures, Validates (real-time edits) Data at the Source; Paperless
- Transaction Driven Updates to US Standard General Ledgers
- Interfaces with Multiple Systems Within the Corps and DoD
- Electronic Signature/Common Access Card (CAC)
- Real-time Funds Control Throughout the Budget Execution Life Cycle





# Internal Control Weaknesses

Quantitative/Qualitative Magnitude of Actual or Potential Misstatement	Likelihood of Misstatement	
	Remote ("Slight")	Reasonably Possible ("More than Remote")
< Inconsequential ("Clearly immaterial")	Control Deficiency	Control Deficiency
> Inconsequential; < Material	Control Deficiency	Significant Deficiency
> Material	Control Deficiency	Material Weakness



# **OMB A-123 Appendix A Program**

**aka - Internal Controls over Financial Reporting (ICOFR)**

- Required by OMB A-123 and successor to the CFO Corrective Action Plans
- ICOFR Test Plans used to find control deficiencies ahead of auditors
- Process:
  - ▶ Review, analyze, process narratives
  - ▶ Examine the controls risk
  - ▶ Review, modify or develop test plans (partner with IR)
  - ▶ Basis for Annual Assurance Statement



# ICOFR Test Plans

- Property, Plant and Equipment
- Cost Share
- Payroll
- Accounts Payable / Accrual
- Legal Liabilities
- Environmental Liabilities
- Investments
- Financial Reporting
- Apportionments
- Federal Employee Compensation Act




































































# ICOFR Test Plan Results

CAP REVIEW 3rd Quarter 2011																												
Legend:	Individual Ratings:			Red = 1      Yellow = 2      Green = 3										Frequency:			M - Monthly   Q - Quarterly   A - Annually   SA - Semi-annually or 2x/Year											
	Overall Ratings:			Red = 0.00-1.49   Yellow = 1.50-2.49   Green = 2.50-3.00										Reviewer:			HQ - Headquarters   IR - Internal Review											
Frequency		Q	Q	SA	Q	Q	Q		Q		A	Q	Q	Q		M	Q	Q	A	M		Q	SA	M	Q			
Reviewer		HQ	IR	IR	HQ	HQ	HQ		HQ		HQ	HQ	HQ	HQ		IR	IR	IR	IR	IR		IR	IR	IR	HQ			
CAPS		Property, Plant & Equipment									Cost Share						Payroll							Accounts Payable				
		1A	1B	1C	1D	1E	1F	CAP 1	1G		2A	2B	2C	2D	CAP 2		3A	3B	3C	3D	3E	CAP 3		4A	4B	4C	4D	CAP 4
HNC	A0	3	N/A	N/A	3	3	N/A	3	N/A		N/A	N/A	3	3	3		3	3	3	N/A	1	2.5		2	2	N/A	2	2
Overall	B	3	3	3	3	3	3	3	2.2		3	2.667	2.857	2.714	2.8095		2.286	2.714	2.714	N/A	2.833	2.6369		2.571	2.714	2.667	3	2.7381
MVD	B0	3	N/A	N/A	3	3	N/A	3	N/A		N/A	N/A	3	3	3		1	1	3	N/A	N/A	1.6667		2	3	N/A	3	2.6667
MVM	B1	3	3	3	3	3	3	3	N/A		3	3	3	3	3		3	3	3	N/A	3	3		3	3	3	3	3
MVN	B2	3	3	3	3	3	3	3	3		3	1	2	1	1.75		1	3	1	N/A	2	1.75		1	1	1	3	1.5
MVS	B3	3	3	3	3	3	3	3	1		3	3	3	3	3		3	3	3	N/A	3	3		3	3	3	3	3
MVK	B4	3	3	3	3	3	3	3	1		3	3	3	3	3		2	3	3	N/A	3	2.75		3	3	3	3	3
MVR	B5	3	3	3	3	3	3	3	3		3	3	3	3	3		3	3	3	N/A	3	3		3	3	3	3	3
MVP	B6	3	3	3	3	3	3	3	3		3	3	3	3	3		3	3	3	N/A	3	3		3	3	3	3	3



# Test Plan Results

Corrective Actions	LRD	MVD	NAD	NWD	POD	SAD	SPD	SWD	HNC	ERDC	UFC	TAD	NCR
1 - Property, Plant and Equipment (without 1G)													
1G - Property, Plant and Equipment (CIP)													
2 - Cost Share													
3 - Payroll													
4 - Accounts Payable/Accruals													





# Leadership Buy-in is Key

## Executive Senior Assessment Team

- Leadership and direction over Financial Audits and associated internal controls
- Chaired by Deputy Commanding General and includes all functional SES's
- Primary role is to oversee audit process and approve test plans
- Increase USACE emphasis on Risk Assessment and Quality Assurance (focus on top priorities)



# Governance, Risk and Compliance Tool

- USACE purchased Governance, Risk and Compliance (GRC) system
- Two components
  - ▶ GRC Manager
  - ▶ GRC Intelligence
- GRC Benefits
  - ▶ Lays out program from risk assessment to test results
  - ▶ Consolidates all documents
  - ▶ Consolidates test results
  - ▶ Creates CFO CMR results automatically



# Questions ?

